Notes

1. Accounting Policies & Methods

(a) This quarterly financial report prepared in accordance with Financial Reporting Standards ("FRS") 134 "Interim Financial Reporting" and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements should be read in conjunction with the Group's financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2006 except for the voluntary change in accounting policy on revaluation of Property, Plant and Equipment as disclosed below.

(b) Effect on change in accounting policy

Prior to 1 January 2007, the land and buildings were subject to periodic revaluation of at least once in every five years. The Directors consider that the change from the revaluation method to the cost method gives a fairer presentation of the results and the financial position of the Group. This change in accounting policy has been accounted for retrospectively and the effects of this change are disclosed as follows:

- Unaudited Condensed Consolidated Income Statements

	Preceding year corresponding quarter 31/12/06		
	As previously reported RM'000	Change in accounting policy RM'000	As restated RM'000
Cost of sales	(549,762)	2,765	(546,997)
Gross profit	36,056	2,765	38,821
Other operating expenses	(29,755)	89	(29,666)
Profit before taxation	14,827	2,854	17,681
Taxation	961	(2,635)	(1,674)
Profit after taxation	15,788	219	16,007
Profit attributable to equity shareholders of the Company	15,961	188	16,149
Minority interest	(173)	31	(142)

	Preceding year corresponding period to date 31/12/06		
	As previously reported RM'000	Change in accounting policy RM'000	As restated RM'000
Cost of sales	(2,162,155)	2,765	(2,159,390)
Gross profit	191,129	2,765	193,894
Other operating expenses	(115,598)	89	(115,509)
Profit before taxation	63,278	2,854	66,132
Taxation	21,458	(2,635)	18,823
Profit after taxation	84,736	219	84,955
Profit attributable to equity shareholders of the Company	84,518	188	84,706
Minority interest	218	31	249

- Unaudited Condensed Consolidated Balance Sheet

	As at preceding financial year ended 31/12/06		
	As previously reported RM'000	Change in accounting policy RM'000	As restated RM'000
Property, plant and equipment	781,462	(44,756)	736,706
Prepaid lease payment	90,338	(23,399)	66,939
Deferred tax liabilities	81,111	(15,922)	65,189
Reserves	215,161	(51,679)	163,482
Minority interest	2,563	(554)	2,009

(c) In the current period, the Group has adopted the following FRS, which are relevant to its operations.

FRS 117	Leases
FRS 119_{2004}	Employee Benefits
FRS 124	Related Party Disclosures

The adoption of the above FRS does not have significant financial impact on the Group.

(d) Effect of new accounting standard effective 1 July 2007

FRS 112 on Income Taxes has recently been amended to allow recognition of deferred tax asset in respect of reinvestment allowance. The amended FRS 112 is effective for financial period commencing on or after 1 July 2007. However, the Group decided to continue with the existing method of recognising such tax benefit in the income statement when such allowance was utilised for income tax purposes. As the existing method is also allowed under the amended FRS 112, the amendment has no financial impact on the Group. As at 31 December 2007, the Group has unutilised reinvestment allowance amounting to RM340 million of which no deferred tax asset has been recognised.

2. Audit Report

The preceding financial year's audit report was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are affected by both cyclical factors in the construction industry over the years and seasonal fluctuations such as festivities in the first and last quarter of each year.

4. Unusual Items

There were no items of unusual nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows.

5. Changes in estimates

There have been no changes in estimates of amounts reported in the prior financial year.

6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial year to date other than as mentioned below:

For the year ended 31 December 2007, RM43,082,053 nominal amount of ICULS were converted into 41,827,230 ordinary shares of RM1.00 each.

7. Dividends

The first interim tax exempt dividend of 2.5% (2006: Nil) for year ended 31 December 2007 was declared on 17 August 2007 and paid on 5 October 2007. The second interim tax exempt dividend of 5.0% (2006: Nil) for year ended 31 December 2007 was declared on 15 November 2007 and paid on 4 January 2008. The total dividends for the financial year ended 31 December 2007 amounted to 7.5% (2006: 5%).

8. Primary Segment Revenue and Results

The Group's primary business segment is steel. As such, the segment revenue and results are as disclosed in the condensed consolidated income statement.

9. Valuation of Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation subsequent to the change in accounting policy as disclosed in Note 1.

10. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year to date.

12. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets since the last annual balance sheet date.

13. Tax (Charge) / Credit

(a) Taxation comprises the following:

	Current year quarter 31/12/07 RM'000	Current year-to-date 31/12/07 RM'000
Current income taxation	(4,352)	(2,117)
Deferred taxation	1,566	(1,242)
	(2,786)	(3,359)

(b) Reconciliation of income tax expense:

	Current year quarter 31/12/07 RM'000	Current year-to-date 31/12/07 RM'000
Profit before taxation	72,020	184,351
Tax calculated at tax rate of 27%	(19,465)	(49,857)
Tax calculated at tax rate of 20%	15	61
Tax expense on share of results of associated company	765	1,302
Change in tax rate	3,688	4,114
Expenses not deductible for tax purposes	2,695	1,887
Utilisation of reinvestment allowance	9,207	31,893
Over/(under) provision in prior financial year	(103)	6,310
Current year tax losses not recognised	(293)	-
Temporary differences not recognised	(861)	(861)
Benefit from previously unrecognised deductible temporary differences arising from PPE	1,433	1,433
Others	133	359
	(2,786)	(3,359)

14. Sale of Unquoted Investments and/or Properties

There were neither sale of unquoted investments nor properties for the current financial year to date.

15. Quoted Securities

(a) There were neither purchases nor disposals of quoted securities for the current financial year to date.

(b) Investments in quoted securities as at 31 December 2007:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,726)
At book value	860
At market value	**4,555**

16. Status of Corporate Proposals

The Group has obtained six out of the seven certificates of fitness for occupation (CFs) of properties required to be obtained pursuant to the Company's ICULS issue completed in August 2003. The remaining CF for Lots 6047, 6048 and 6049, has yet to be issued. The Securities Commission has extended the time for compliance to October 31, 2008.

17. Group Borrowings

(a) The total Group borrowings as at 31 December 2007 are unsecured and as follows:

	RM'000
Long Term Borrowings	90,915
Short Term Borrowings	701,189
	792,104

(b) Included in the above are US Dollars borrowings amounting to RM169 million.

18. Off Balance Sheet Financial Instruments

There were no financial instruments with material off balance sheet risk as at the date of issue of this quarterly report.

19. Changes in Material Litigation

Since the date of the last annual balance sheet date, there has not arisen any material litigation up to the date of issue of this report.

20. Related Party Transactions

Significant transactions with related parties are as follows:

		12 months ended 31/12/07
		RM'000
Sales of goods to :		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	81,876
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	100,580
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	57,468
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	13,623
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	157,986
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		125,797
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	769,440
Service rendered by :		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	408

21. Review of Performance

The Group's revenue of RM689 million for the quarter under review was 17.6% higher than the RM586 million in the corresponding quarter of the preceding year, mainly due to higher selling prices. The improved margin contributed to the higher profit before taxation ("PBT") of RM72.0 million, compared to RM17.7 million in the corresponding quarter of last year.

For the financial year ended 31 December 2007, the Group registered a PBT of RM184.4 million as compared to RM66.1 million for 2006. The improvement was mainly due to the improved turnover and margin.

22. Material Change in Profit/(Loss) Before Taxation Compared to Immediate Preceding Quarter

The Group's revenue of RM689 million in the current quarter was lower compared to RM885 million in the immediate preceding quarter mainly due to seasonally lower sales volume. However, this quarter's PBT of RM72.0 million was higher than last quarter's RM54.8 million due to higher margin and foreign exchange gain of RM9 million.

23. Prospects

Although there are concerns over a possible recession in the United States of America, the Group is positive on the outlook of the steel market in Malaysia and in the region. Locally, with the implementation of more 9MP projects, the Group is well positioned to capitalise. In China, the changes in their policy on steel exports have generally stabilised prices in the region. Barring any unforeseen circumstances, the Group expects the results for the year 2008 to be satisfactory.

24. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM69,181,000 and the weighted average number of ordinary shares (after conversion of mandatorily convertible instrument) outstanding during the quarter of 419,417,542.

The calculation of basic earnings per ordinary share for the current year to date is based on the net profit attributable to ordinary shareholders of RM180,889,000 and the weighted average number of ordinary shares (after conversion of mandatorily convertible instrument) outstanding during the quarter of 419,417,542.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	69,181	180,889
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	397,635	381,602
Adjustment for conversion of ICULS ('000)	21,783	37,816
Weighted average number of ordinary shares ('000)	419,418	419,418
Basic profit per ordinary share (sen)	16.5	43.1

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is the same as the calculation of basic earnings per ordinary share as FRS 133 requires all mandatorily convertible instruments such as ICULS to be included in the basic earnings per ordinary share from the date the contract is entered into.